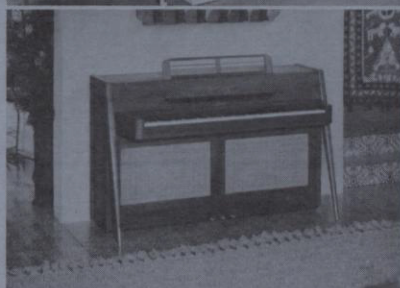
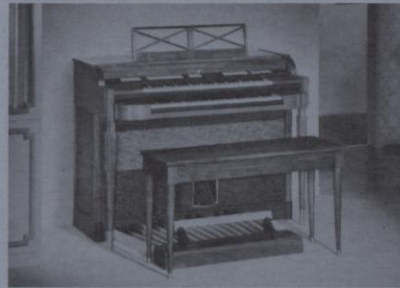
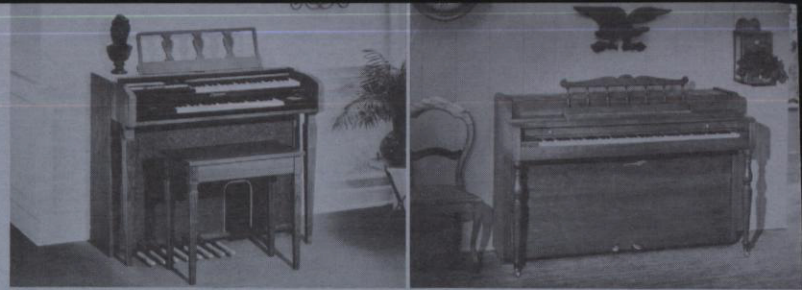


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D. H. BALDWIN Company

Annual Report

Year Ending December 31, 1963



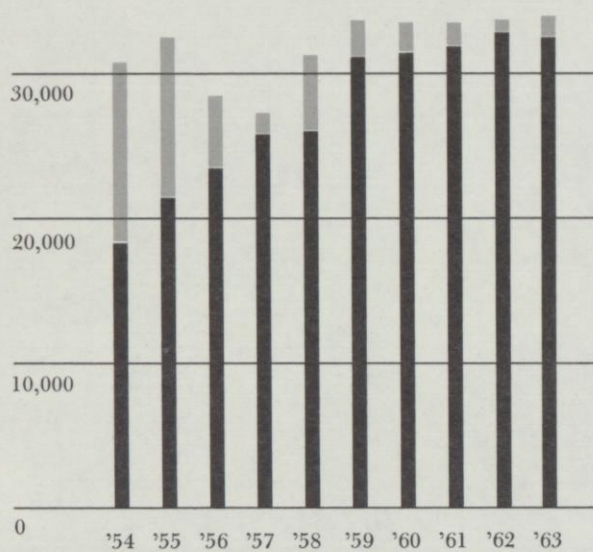
Official Piano and Organ
New York World's Fair
1964-1965.

PIANOS • ORGANS
BALDWIN
ELECTRONICS

D. H. Baldwin Company

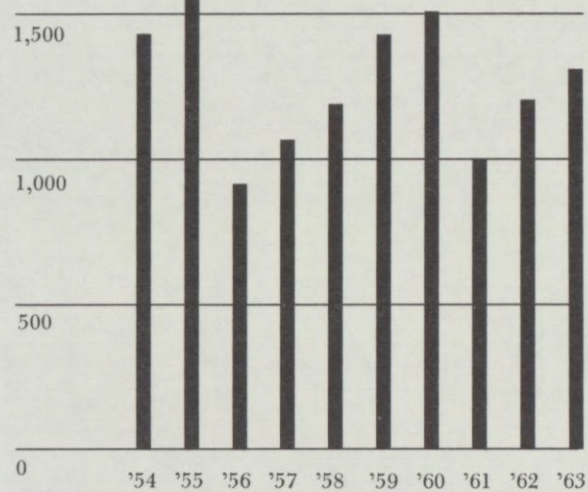
		1963	1962
FINANCIAL HIGHLIGHTS	Net Sales	\$33,969,604	\$33,786,304
	Earnings before taxes	2,393,377	2,240,900
	Federal income taxes	1,050,000	1,000,000
	Net earnings	1,343,377	1,240,900
	Per common share	\$4.84	\$4.47
	Dividends paid on common stock	551,172	482,275
	Per common share	\$2.00	\$1.75

Net Sales



(In thousands of dollars)

Earnings After Taxes



(In thousands of dollars)

Civilian ■ Government ■

In Memoriam

Lucien Wulsin, Sr.

1889 - 1964



D. H. BALDWIN Company

Annual Report

101st Year

DIRECTORS

Philip Wyman, *Honorary Chairman of the Board*
Robert E. Fanning
John F. Jordan
Lawrence H. Kyte
William A. Mitchell
James M. E. Mixter
A. J. Schoenberger
Morley P. Thompson
Eugene Wulsin
Lucien Wulsin

OFFICERS

Lucien Wulsin, *President*
A. J. Schoenberger, *Vice President*
John F. Jordan, *Vice President*
James M. E. Mixter, *Vice President*
Eugene Wulsin, *Vice President*
Morley P. Thompson, *Treasurer*
R. F. Coghill, *Secretary*
Charles G. Lindeman, *Controller*
Irwin Stumborg, *Assistant Treasurer*
L. H. Ellis, *Assistant Secretary*

GENERAL OFFICES:
Cincinnati, Ohio

SUBSIDIARIES:
Baldwin Piano & Organ Company
The Baldwin Piano Company (Canada) Limited
Baldwin Electronics, Inc.
C. Bechstein Pianofortefabrik AG.
Baldwin, S.A., Geneva, Switzerland

MANUFACTURING PLANTS:
Cincinnati, Ohio; Conway, Arkansas;
Fayetteville, Arkansas; Greenwood, Mississippi;
Little Rock, Arkansas; Toronto, Canada;
West Berlin and Karlsruhe, West Germany

AFFILIATE:
Siliconix, Incorporated

GENERAL COUNSEL:
Kyte, Conlan, Wulsin and Vogeler

DEALERS:
In principal cities in the United States, and abroad.

COMPANY-OWNED SALES OUTLETS:
Boston, Chicago, Cincinnati, Denver, Kansas City,
Los Angeles, Louisville, New York, Pittsburgh,
San Francisco, St. Louis

Report of the President to the Stockholders of *D. H. Baldwin Company*

In brief this Company in 1963 showed small increases in both total sales and profits, both before and after taxes. These increases are a result of a combination of factors in sales, production, and finance. Their details are described as succinctly as possible in the succeeding paragraphs.

The Financial Highlights of the past year are set forth on page 1. The Balance Sheet as of December 31, 1963, with comparative figures for 1962, is shown on pages 6 and 7. The Statement of Income and Earnings Reinvested in the Business is shown on page 8. Your attention is also directed to the explanatory notes to these financial statements. On December 31, 1963, total current assets amounted to \$30,498,000. Total current liabilities amounted to \$7,360,000; a ratio of 4.1 to 1.

Sales: During the year 1963, sales were \$33,970,000 compared with \$33,786,000 for the similar period in 1962. This represents a minimal increase over the prior year. Of this total, piano and organ sales amounted to \$32,066,000 and sales of nonmusical items amounted to \$1,904,000. The volume of piano and organ sales decreased over the previous year. This decrease, occurring in the sale of both pianos and organs, was primarily located in our medium-priced merchandise. Sales of Baldwin grands increased. We have had an increase in the number of instruments located with customers under our rental purchase plan. Until conversion from rental to sale, these transactions are not reflected as sales and are carried in our inventory of finished merchandise. Our sales of nonmusical instruments increased. This increase was brought about through the resumption of production of influence fuzes for the military and a higher level of activity and interest in our line of digital encoders.

The amount of consumer installment finance paper which the company carries increased during the past year. The net amounts due the company by the purchasers are shown on our books as Accounts Receivable. During the year, these increased from \$11,298,000 to \$12,407,000.

Earnings: After providing for Federal income taxes, earnings for the year 1963 were \$1,343,000 compared with \$1,241,000 in 1962. Our net earnings before provision for Federal income taxes and profit sharing amounted to \$2,656,000 as compared with \$2,320,000 in 1962. The amount of the company contribution to the Employees' Profit Sharing Trust increased. Our provision for Federal income taxes increased from \$1,000,000 to \$1,050,000. I do not consider our earnings for 1963 to be commensurate with our potential.

Facilities: We added no new facilities to our Company's operating structure in 1963. We did carry out our plans to equip our Greenwood facility so that it is now capable of manufacturing pianos of high quality and of supplying fine cases and woodwork to our other locations.

We have vacated a portion of our facilities in Cincinnati. Part of these buildings have been demolished to make way for the construction of a new expressway. Another part has just been leased under a long-term lease. We continue to occupy our main buildings on Gilbert Avenue, Cincinnati, Ohio, where our home office is located and where we continue to design and manufacture our Baldwin grand pianos.

Products: As a result of the great musical success of our new church organ, the Model 11, the introduction of which I reported to you last year, we have introduced a less expensive companion, the Model 6. The initial musical acceptance of this organ has been equal to that of the Model 11. Quantity production was only achieved in the last two months of the year, so that it will not be until 1964 that we feel the financial effects of its sales.

In the nonmusical field, we have continued to perfect our line of high-accuracy digital encoders. We have developed a commercial application of the encoder as a position indicator for automated machine tools.

Foreign Operations: The Baldwin Piano Company (Canada) Ltd. had a profitable year. It showed increased sales and profits. The manufacture of our organs in Toronto has produced instruments of high quality and acceptance by the buying public.

Baldwin S.A., our wholly-owned organ sales subsidiary in Europe, had its first year of full operation. The development of foreign sales territory requires time, money, and effort. We are devoting all of these to the marketing of our organs in Europe.

In the summer of 1963, as I have previously reported to you, we acquired a majority interest in the firm of C. Bechstein Pianofortefabrik AG. This distinguished piano concern has for many years manufactured and sold among the finest grand and upright pianos in Europe. It has two manufacturing plants; one in West Berlin, the other in Karlsruhe, West Germany. The Bechstein management is continuing its interest and participation in the affairs of the business. The identity of interest of our two firms will provide additional strength to our common purposes.

Personnel: Mr. Lucien Wulsin, Sr., Chairman of the Board, died January 13, 1964, after a brief illness. He joined this Company on the death of his father in 1912 and, successively, held the positions of Treasurer, Vice President, President, and, most recently, Chairman of the Board. He had the major responsibility of leadership during the difficult periods of the major depression of the late Twenties and Thirties and the Second World War when we were turned from the manufacturing of musical instruments to the production of military requirements. He believed implicitly that this Company had a leading role to play in the music business and culture of this country, and he translated his beliefs into effective action. The financial soundness and growth of this Company are a great memorial and tribute to his vision, strength, and acumen. His devotion to the ideals of quality and perfection will leave a lasting imprint on all of us who respected, admired, and worked with him.

Mr. Philip Wyman has been elected Honorary Chairman of the Board.

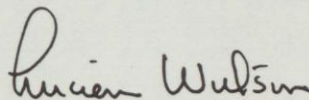
Affiliate: As last reported to you, the Company has an interest in its affiliate, Siliconix Incorporated, a manufacturer of semi-conductor microcircuits. This Company manufactures and sells field-effect transistors and integrated circuits. There has been a marked rise in the sales of these units during the year. The volume of sales during the year did not, however, reach the goals set. There must be increased sales effort to market those units that have shown such technical excellence.

Activities: At our annual meeting held in April, 1963, the name of this Company was changed to D. H. Baldwin Company to reflect the changed and changing nature of our business. On January 1, 1964, we activated a subsidiary corporation, Baldwin Piano & Organ Company, which will carry on in an effective fashion, our activities in the selling and financing of our keyboard musical instruments.

My report would not be complete if I did not make particular mention of the activities of our factory managers, our sales managers, and our dealers. The year has required much of our factory managers in completing our production and in striving for the goals of quality which we know are necessary. Our sales outlets throughout the country have had to meet increased price competition. In each community your Baldwin dealer is selling quality in musical instruments; this is an integral part of our Company tradition.

The management of your Company is convinced that 1964 will see in profits and sales the tangible results of a continued affirmation of these goals.

Respectfully submitted,



President

Cincinnati, April 1, 1964

D. H. Baldwin Company and

	1963	1962
Current Assets:		
Cash.....	\$ 1,318,899	\$ 1,330,012
Receivables:		
Installment accounts.....	\$13,298,995	\$12,186,882
Miscellaneous.....	<u>706,929</u>	<u>721,035</u>
	14,005,924	12,907,917
Less reserve for possible losses	<u>1,598,834</u>	<u>1,610,247</u>
	12,407,090	11,297,670
Government contracts—billings and inventories (note 1)	769,450	741,181
Inventories (note 1) :		
Finished goods.....	11,081,449	10,946,919
Work in process.....	2,341,971	2,679,544
Raw materials and supplies...	<u>2,292,315</u>	<u>2,346,968</u>
Prepaid expenses.....	<u>287,031</u>	<u>244,725</u>
Total current assets	30,498,205	29,587,019
Investments, advances and other assets (note 2)	1,533,005	854,238
Plant and equipment— at cost (note 3)	9,282,241	8,880,574
Less allowance for depreciation ..	<u>5,483,621</u>	<u>5,098,390</u>
	<u>3,798,620</u>	<u>3,782,184</u>
	<u>\$35,829,830</u>	<u>\$34,223,441</u>
<i>See accompanying notes to financial statements.</i>		

December 31, 1963 with comparative figures for 1962

	1963	1962
Current liabilities:		
Notes payable, including current portion of long-term debt of \$400,000 in 1962	\$2,842,781	\$ 5,400,000
Accounts payable, including taxes withheld and collected (\$985,665 and \$965,185)	1,768,285	1,898,948
Accrued liabilities	1,846,231	1,813,546
Federal taxes on income	670,191	215,778
Customers' deposits	<u>232,821</u>	<u>183,870</u>
Total current liabilities	7,360,309	9,512,142
Long term debt—		
less current portion in 1962 (note 4)	7,000,000	4,400,000
Deferred taxes on income (note 5)	2,281,819	1,906,124
Stockholders' Equity (notes 4 and 6) :		
Capital stock:		
6% cumulative preferred, par value \$100 per share; authorized 2,327 shares; outstanding 1,613 shares	\$ 161,300	\$ 161,300
Cumulative preferred, par value \$100 per share; authorized 60,000 shares; outstanding—none	—	—
Common, par value \$8 per share; authorized 500,000 shares; outstanding 275,592.6 shares	<u>2,204,740</u>	<u>2,204,740</u>
	2,366,040	2,366,040
Earnings capitalized and other additions to capital	254,720	254,720
Earnings reinvested in the business	<u>16,566,942</u>	<u>15,784,415</u>
	<u>\$35,829,830</u>	<u>\$34,223,441</u>

Statement of Consolidated Income

and Earnings Reinvested in the Business

Year ended December 31, 1963 with comparative figures for 1962

	1963	1962
Income:		
Net sales.....	\$33,969,604	\$33,786,304
Other revenues.....	1,409,885	1,347,107
	<u>35,379,489</u>	<u>35,133,411</u>
Expenses:		
Cost of sales and operating expenses.....	31,074,115	31,016,952
Taxes, other than Federal taxes on income.....	868,552	877,275
Depreciation and amortization.....	540,187	548,859
Interest.....	503,258	449,425
	<u>32,986,112</u>	<u>32,892,511</u>
Income before Federal taxes on income.....	2,393,377	2,240,900
Federal taxes on income.....	<u>1,050,000</u>	<u>1,000,000</u>
Net income for year.....	<u>1,343,377</u>	<u>1,240,900</u>
Earnings reinvested in the business		
at beginning of year.....	15,784,415	15,035,468
	<u>17,127,792</u>	<u>16,276,368</u>
Deduct:		
Dividends declared:		
Preferred stock—\$6.00 per share.....	9,678	9,678
Common stock—\$2.00 and \$1.75 per share....	551,172	482,275
	<u>560,850</u>	<u>491,953</u>
Earnings reinvested in the business		
at end of year.....	<u>\$16,566,942</u>	<u>\$15,784,415</u>
<i>See accompanying notes to financial statements.</i>		

D. H. Baldwin Company and Subsidiaries

Notes to Consolidated Financial Statements December 31, 1963

- (1) In accordance with the company's consistent policy, inventories are stated at the lower of cost (first-in, first-out) or market with the exception that the valuation of certain work in process includes no manufacturing overhead costs. The omission of this overhead had no material effect upon net income after taxes.
- (2) The investment in and advances to Siliconix Incorporated, an affiliated company, aggregating \$745,000 are stated at cost. This company, organized in 1962, adopted the conservative accounting practice of charging to expense, extraordinary expenditures for research, product development and start-up costs. The company's equity in the net assets of the affiliate, based on audited financial statements as of December 31, 1963, was approximately \$225,000. No provision has been made in the accompanying financial statements for possible decline in the value of the investment and advances as, in the opinion of management, there has been no impairment thereof.

A sale was made to a third party in December, 1963, of unissued shares of capital stock, notes and debentures of the affiliate, equivalent to a 20% interest in the business at a price in excess of the company's pro-rata cost of its investment and advances.

The accounts of two foreign subsidiaries have not been consolidated in the accompanying financial statements. The investments in and advances to these companies are stated at cost which approximate equity values.

- (3) The company has an agreement, expiring in 1985, providing for the leasing of a plant. The average annual rental payable over the remaining term of the agreement is approximately \$173,000.
- (4) Long-term debt is represented by a 5% note, due December 20, 1978, payable in annual installments of \$400,000 commencing in 1966. The loan agreement contains certain restrictions on the payment of dividends on the company's common stock (other than those payable in capital stock of the company), and on the amounts which may be used for the purchase, redemption, or retirement of the company's capital stock. Approximately \$2,224,000 of the earnings reinvested in the business at December 31, 1963, is free of these restrictions.
- (5) Deferred taxes on income represent the provision for future taxes on income as a result of deferring, for income tax purposes, the gross profit on uncollected installment accounts.
- (6) The company maintains a stock option plan for certain employees. At December 31, 1963, there were outstanding options to purchase 8,150 shares of common stock at a price not less than the market value on the date of granting.

In connection with the acquisition of a foreign subsidiary in 1963, there is also outstanding a stock option to a former stockholder of the subsidiary to purchase 2,000 shares of common stock of the company at the market value on the date of granting.

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
DIXIE TERMINAL BUILDING
CINCINNATI 2, OHIO

*The Board of Directors and Stockholders
D. H. Baldwin Company:*

Accountants' Report

We have examined the consolidated balance sheet of the D. H. Baldwin Company and subsidiaries as of December 31, 1963 and the related statement of income and earnings reinvested in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earnings reinvested in the business present fairly the financial position of the D. H. Baldwin Company and subsidiaries at December 31, 1963 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Cincinnati, Ohio
March 20, 1964

Peat, Marwick, Mitchell & Co.

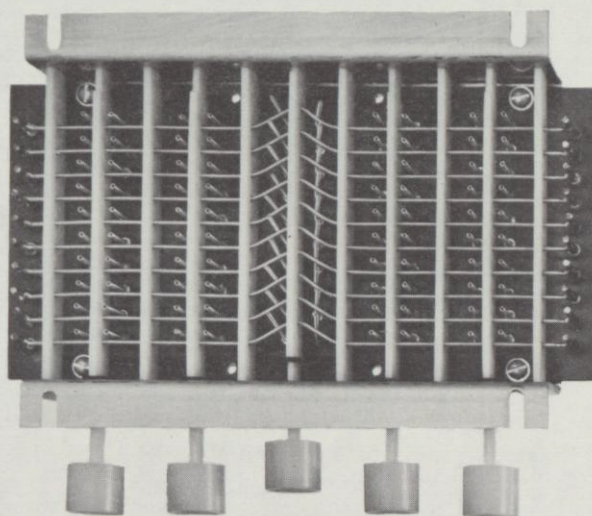
Ten Year Comparative Statement of Operations

	1963	1962	1961	1960	1959
Total Net Sales	\$33,970	\$33,786	\$33,314	\$33,683	\$33,811
Net Sales—Civilian	32,066	32,758	31,645	31,427	30,836
Net Sales—Government	1,904	1,028	1,669	2,256	2,975
Earnings before taxes on income	2,393	2,241	1,914	3,211	3,066
Federal income taxes	1,050	1,000	910	1,700	1,605
Net earnings for the year	1,343	1,241	1,004	1,511	1,461
Per common share*	\$4.84	\$4.47	\$3.61	\$5.45	\$5.27
Cash dividends paid on common stock	551	482	413	413	413
Per common share*	\$2.00	\$1.75	\$1.50	\$1.50	\$1.50
Annual earnings reinvested in the business	783	749	580	1,089	1,038
Stockholders' Equity	19,188	18,405	17,656	17,076	15,987
Book value per common share*	\$69.04	\$66.20	\$63.48	\$61.38	\$57.43
*Adjusted for 100% Stock Dividend in 1956, and 3% Stock Dividend in 1957. Expressed in dollars.					

(in thousands of dollars)

1958	1957	1956	1955	1954
\$31,334	\$27,419	\$28,685	\$32,523	\$30,839
26,132	25,771	23,308	21,470	18,791
5,202	1,648	5,377	11,053	12,048
2,552	2,277	2,163	3,697	3,243
1,358	1,187	1,224	2,100	1,785
1,194	1,090	939	1,597	1,458
\$4.30	\$3.92	\$3.37	\$5.76	\$5.26
331	276	268	401	268
\$1.20	\$1.00	\$.97	\$1.46	\$.97
853	806	661	1,186	1,182
14,949	14,096	13,290	12,629	11,443
\$53.66	\$50.56	\$47.64	\$45.24	\$40.93

One of the challenging aspects of electronic organ manufacturing is the problem of specialized circuit switching. Here is an example of Baldwin engineering ingenuity. The new pre-set switch illustrated is capable of making a hundred electrical contacts, reliably, for millions of operations. Patent pending.



Claudio Arrau
David Bar-Illan
Leonard Bernstein



Jorge Bolet
Jeanne-Marie Darré
Zino Francescatti



Gold and Fizdale
Lorin Hollander
Jose Iturbi



Erich Leinsdorf
Theodore Lettvin
Luboshutz and Nemenoff



Pierre Monteux
Eugene Ormandy
Hans Richter-Haaser



In the home, as on
the concert stage,
Baldwin is today's
great piano.



Max Rudolf
Thomas Schippers
Abbey Simon



Richard Tucker
Beveridge Webster
Whittemore and Lowe





*A few distinguished installations of
the larger Baldwin Organs*

Temple Israel
Hollywood, California

Pasadena Jr. College
Pasadena, California

Holy Angels Catholic Church
San Francisco, California

Community Presbyterian Church
Deerfield Beach, Florida

Purdue University
West Lafayette, Indiana

Ferris Institute
Big Rapids, Michigan

General Motors Institute
Flint, Michigan

St. James Lutheran Church
Lindenhurst, Long Island, N.Y.

Episcopal Church Center
New York City

St. Paul's United Church of Christ
Cincinnati, Ohio

Cathedral of Our Lady of Perpetual Help
Rapid City, South Dakota

Berclair Baptist Church
Memphis, Tennessee

Church of Jesus Christ of Latter Day Saints
Ogden, Utah

St. John's Lutheran Latvian Church
Toronto, Canada

